

## INTERNET-BASED AUCTION METHOD

### Reference to Related Application

This application claims priority from U.S. provisional application Serial No. 60/142,128, filed July 2, 1999, the entire contents of which are incorporated herein by reference.

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### Field of the Invention

The present invention relates generally to a method and system for purchasing goods and services. More particularly, the present invention relates to a method and system that locate and purchase goods or services at an optimal price.

### Background of the Invention

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The use of the Internet and World Wide Web are becoming increasingly popular for commercial transactions. There are a number of ideas, including patented inventions, which are directed to the idea of buying and selling goods and services over the Internet. In particular, there are now a number of websites that facilitate Internet shopping.

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In general, there are three methods for conducting commercial transactions over the Internet: auction-based, lowest price searching, and offers to purchase.

The first method, auction-based, generally comprises a website used to arbitrate bids and generate sales through a competitive offers from multiple prospective purchasers. An example of an auction-based website may be found at [www.ebay.com](http://www.ebay.com).

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The offer to purchase method restricts the purchaser to one source of items, thus excluding sources that might accept a lower offer from the purchaser. Also, a purchaser using this method does not necessarily have knowledge of posted advertised prices from other sources, and thus submits an offer higher in price than the price advertised by the other sources.

Summary of the Invention

15           The present invention overcomes the deficiencies noted in the current art, and provides a method and system that spans a global market of sources for a particular item to determine a lowest price in that market. Broadly, according to the invention, the technique is used to solicit a purchase amount from the purchaser where the amount is lower than the lowest market price from the purchaser. In the preferred embodiment, the

20           purchase amount is used to seed a bidding process among a pool of vendors, enabling a purchaser to purchase the item from the vendor submitting the lowest bid. Thus, the

In one embodiment, the process utilizes the Internet to conduct the reverse auction in two phases. In the first phase, the reverse auction process obtains the prices of like items from multiple sources, and determines a single, lowest price from obtained prices.

10           The purchaser views one or more pages on the reverse auction web site containing information regarding the reverse auction process. The purchaser then indicates to reverse auction web site server the item sought for purchase; e.g., the purchaser selects the item from a pull down menu containing a list of various items displayed on the web page.

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In the second phase, the reverse auction process solicits a starting bid from the purchaser, collects bids representing offers for sale from multiple vendors, and selects a bid containing the lowest purchase price offered by a vendor from the collection of bids.

Typically, after viewing the determined lowest price generated in phase one, the purchaser posts a starting bid to the reverse auction site, wherein the starting bid includes an offer to purchase at a price lower than the lowest price determined in the previous step.

The reverse auction site, its server, and its associated software utilize the starting bid to seed the bidding process among vendors. In doing so, the software solicits offers for sale of the item, via the Internet, from vendors of the item. The offers for sale must contain a price term where the amount is as low or lower than the starting bid. These offers for sale (hereafter, reverse bids), generate a competition to sell the item among the vendors, thus driving the purchase price of the item down below any price of a like item previously available to the purchaser from the global market.

Finally, the reverse auction process selects the reverse bid containing the lowest price offered for purchase of the item, and informs the purchaser of the same; e.g., displays the lowest reverse bid on a web page viewed by the purchaser. As a result, the reverse auction process produced an opportunity for the purchaser to purchase the item at a price lower than one obtained via an auction method, via a price search method, and via an offer by purchaser.

#### Brief Description of the Drawing

FIGURE 1 represents a flow diagram of the method for purchasing goods or services via the Internet according to the present invention.

### Detailed Description of the Invention

The present invention provides a method and system for location and purchase of an item at an optimal price for the purchaser. The system and method consist of two phases, wherein phase one generates a lowest posted price from a consideration of prices for a requested item, and phase two generates a sale price below the lowest posted price obtained in phase one.

In the following detailed description, like reference numerals are used to refer to various elements of the invention shown in multiple figures thereof. Referring now to the drawings, and particular to Figure 1, a reverse auction method of the present invention comprising a two-phase process is shown.

#### Phase One

In phase one, the reverse auction method finds the lowest advertised price of the item (goods or services) to be purchased from a host of sources, thereby advantageously securing the lowest advertised price possible from web sites advertising the requested item at a posted price.

Initially, the purchaser utilizes an input device such as a PC to access a web site associated with the reverse auction. While it is contemplated that the purchaser utilizes the PC to communicate with the reverse auction web site via the Internet, any input device may be used; e.g., WebTV, PDA, telephonic devices, etc. Further, any

5           Once communications are established with the reverse auction web site, the purchaser views one or more web pages associated with the reverse auction process. From one of the web pages, the purchaser enters a request containing a textual description of the item sought 4. Alternatively, the purchaser selects the item from a pull down menu displayed on the web page.

Preferably, the server and its associated software utilize one or more search engines; i.e., a special-purpose software program that uses an algorithm to search an index of topics given a search argument. Generally, the search engine is designed so that its approach to searching the index can be changed to reflect new rules for finding and prioritizing matches in the index. The search engines locate web sites that offer the requested item for sale by utilizing a variety of search criteria. For example, the server might utilize Webcrawler to search for the requested item by name, Lycos to search all web sites advertising discounted merchandise, and Excite! to search electronic bulletin boards containing posted sales advertisements for the requested item.

Once the server receives a predetermined number of posted prices from the various search engines, the server and its associated software determine a lowest posted price from the pool of posted prices. The server displays the lowest posted price 8 on a web page viewed by the purchaser, thus completing phase one of the reverse auction process.

10 In the second phase of the reverse auction process, the method solicits a starting  
bid from the purchaser, induces a bidding competition among multiple vendors of the  
requested item, whereby the competition is seeded with a starting bid from the purchaser.  
After receiving the starting bid, each vendor submits a sale bid (hereinafter, reverse bid)  
at a price lower than the starting bid. In this manner, the competition among the vendors  
15 to consummate a sale with the purchaser drives the final sale price down below the  
lowest posted price determined in phase one and below the initial bid for purchase  
submitted by the purchaser.

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The purchaser again utilizes the PC to access the reverse auction web site via the Internet, and views a web page containing a text field for the starting bid. The purchaser enters the starting bid, for example, in a text field 10, and the bidding competition begins.

5 The reverse auction web site server and its associated software contact a vendor audience to solicit bids for sale of the requested item. The vendor audience is formed according to a predetermined plan; e.g., various vendors contact the reverse auction company and list a web server capable of functioning as a reverse auction participant.

Typically, each vendor in the vendor audience has an associated web site. The server establishes communications via the Internet with each web site in the vendor audience, provides the starting bid and requested item data to each web site, polls each web site for a reverse bid, and collects the reverse bids provided by each web site 12.

Upon collection of the reverse bids, the server determines a final bid from the collection, and displays the final bid to the purchaser via a web page. After viewing the final bid, the purchaser either rejects or accepts the final bid 14. If the purchaser rejects the final bid, the purchaser may either seed the bidding competition again by entering a new starting bid 10 or abandon the purchase. If the purchaser accepts the final bid, the reverse auction company facilitates the consummation of the sale via any number of methods, online or other, thus completing phase two.

Having illustrated and described the principles of the invention in a preferred embodiment, it should be apparent to those skilled in the art that the embodiment can be modified in arrangement and detail without departing from such principles. For example, the configuration of computer components may be changed if preferred. Therefore, the

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We therefore claim as our invention all modifications and equivalents to the embodiment coming within the scope and spirit of these claims.

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